

**2nd ICO World Coffee Conference
24 and 25 September 2005, Brazil**

***LESSONS EMERGING FROM THE CRISIS:
NEW PATHS FOR THE COFFEE SECTOR***

Introduction

The ICO is an intergovernmental organization established by the United Nations in 1962, which includes 74 exporting and importing Member countries. It exists specifically to address world coffee problems and issues in view of coffee's exceptional economic importance and developmental implications, and administers the International Coffee Agreement.

Article 21 of the International Coffee Agreement 2001 provides that the International Coffee Council shall hold at appropriate intervals, a World Coffee Conference, to be composed of exporting and importing Members, private sector representatives and other interested participants, including participants from non-member countries. The purpose of the Conference is to contribute to furthering the objectives of the Agreement.

The first World Coffee Conference took place in London in May 2001, chaired by the General Manager of the National Federation of Coffee Growers of Colombia, Mr. Jorge Cárdenas. The aim of this first Conference was to find solutions to the crisis in oversupply and prices, particularly related to alleviating poverty of small rural farmers in developing countries. The Conference was attended by almost 500 high-level delegates from over 70 countries and generated ideas for short and long-term solutions to the crisis, which were incorporated into the ICO six year plan of action.

2nd World Coffee conference

In May 2003, the International Coffee Council elected Minister Roberto Rodrigues, Minister of Agriculture of Brazil, as the Chairperson of the 2nd World Coffee Conference. The Conference will take place from 24 to 25 September 2005, in Salvador, Brazil. The President of Brazil, H.E. Mr. Luiz Inácio Lula da Silva has already confirmed his participation in the Conference, which has the full backing and support of the Brazilian authorities including the Governor of the State of Bahia.

It may be noted that the Cartagena Declaration adopted by the International Coffee Council in May 2004 welcomed the offer by Brazil to host the 2nd World Coffee Conference and expressed the hope that these events would add to the success of the Council session in Cartagena by producing solutions that benefit the world coffee industry.

The organization of the Conference is being undertaken in close cooperation with the Executive Director of the International Coffee Organization, Mr. Néstor Osorio, who has established a high-level ICO Contact Group to advise on the preparations.

Objectives

One of the most important objectives of the International Coffee Agreement 2001 is encouraging ICO Members to develop a sustainable coffee economy.

The causes of the current crisis and ways of avoiding a similar situation recurring in the future to ensure a sustainable future for the world coffee economy will therefore form the basis for analysis and discussions at the 2nd World Coffee Conference in September 2005.

Structure

The Conference will take place over two days on Saturday 24 and Sunday 25 September 2005. There will be an opening ceremony on the morning of 24 September, with the President of Brazil, Presidents from Latin America, Ministers from Member countries, and high-level representatives of multilateral donor organizations.

The Conference will take as its theme “*Lessons emerging from the crisis: new paths for the coffee sector*” and will comprise three main sessions:

1. Lessons emerging from the Crisis
2. Coffee policies in a market economy
3. How to develop a sustainable coffee economy

Speakers for the Conference will be high-level and experts in their field and it is anticipated that the Conference should facilitate a free exchange of views and ideas with some of the most influential decision-makers in the industry, with full representation from producer and consumer interests.

Background to the coffee crisis

Coffee is one of the world’s largest traded commodities produced in more than 60 countries, providing a livelihood for some 25 million coffee farmers and their families around the world. Many of these countries are heavily dependent on coffee, which can account for over 75% of their total export earnings.

In 2000, international coffee prices slumped and there has been an unprecedented fall in the income of coffee growers in Africa, Asia and Latin America. The adversity endured by growers in these regions has also been encountered in other agricultural commodities originating in developing countries. The drop in earnings from these commodities constitutes one of the most important causes of world poverty. This was clearly stated in November 2003 by the Deputy Secretary-General of the United Nations in a statement to the General Assembly, when she pointed out that “the decline in prices for commodities such as coffee, which now receives roughly a third of the prices that prevailed in the mid-1990s, contributes to increased poverty and makes it more difficult to reach the millennium development goals.

Lower revenue from coffee exports has also endangered the HIPC initiative (for Heavily Indebted Poor Countries).” Several studies coincide in assessing the fall in prices of the major agricultural commodities as between 50 and 86 per cent in the last

20 years, with coffee showing the greatest fall. Certainly the figures for coffee are clear: in the late 1980s and part of the 1990s earnings by coffee producing countries in terms of exports f.o.b. were around US\$10-12 billion per year but they have now dropped to around US\$5.5 billion. This contrasts with the continued growth in the value of retail sales in consuming countries from around US\$30 billion in the 1980s to around US\$80 billion at present. This loss in income has had a significant impact on the economic and social life of many developing countries. In spite of a partial recovery in prices in late 2004, the effects of the crisis are still widely felt.

Session 1: Lessons emerging from the Crisis

The current situation of depressed coffee prices has largely arisen from a situation of excess supply of coffee in relation to demand. Coffee prices respond to market forces and have reacted accordingly. Although there are now signs that the coffee economy may be entering a healthier period, there is a need for caution to avoid creating conditions which may lead to a future crisis.

The first session will look at what lessons can be drawn from the crisis and will be one of the key topics to be considered at the Conference.

Session 2: Coffee policies in a market economy

In the last 15 years agreements liberalization has been widely adopted and promoted as a means of increasing farmers' revenues. However, this approach has failed to reduce the commodity-dependence of many developing countries, particularly since diversification options are frustrated in view of the difficulty of access to markets for other agricultural and industrial products.

For this reason if a market-oriented approach is promoted as ultimately the best way to secure optimal resource allocation for commodities it must be consistent by also promoting the removal of the non market-oriented protectionist measures used in too many countries which curtail market access and hence diversification options for coffee producers.

This second session will examine coffee policies for a market economy.

Session 3: How to develop a sustainable coffee economy

The overriding need at present remains to guarantee the future of coffee through addressing the problem of economic sustainability, i.e. to ensure that coffee production does not continue to entail a loss to growers. While it may be argued that production should best be concentrated in a few main areas or countries where this is not the case, apart from the immense social costs arising from such an approach, this would lead to a huge potential loss in quality and variety which could pose a serious potential threat to sustained consumption.

In looking for solutions it is crucial to understand that there are severe constraints in many coffee-growing areas for alternative economic activities arising from environmental and infrastructure factors, the perennial nature of the coffee tree requiring typically a 3-4 year lag between planting and initial cropping, and because of limitations on market access for otherwise viable alternatives.

This session will examine ways of developing a sustainable coffee economy in the mid to long-term, addressing the economic, environmental and social aspects of sustainability in accordance with U.N. principles.

Outcome of the conference

The results of the Conference will be discussed at the 94th Session of the International Coffee Council, which will meet in Salvador following the Conference from 27 – 30 September. The papers and proceedings will be widely disseminated to all ICO Member Governments both on CD-Rom and on the ICO website. It may be noted that four years after the first World Coffee conference, the papers and ideas presented at this event are still extensively consulted on the website.

A detailed report of the Conference conclusions will be subsequently be prepared and presented to Member Governments, and ideas for actions arising from the event will help to inform the negotiations by Member Governments for the next International Coffee Agreement which will commence in coffee year 2005/06.

Further reference:

The following ICO documents provide information about the coffee crisis and can be downloaded from the ICO website (www.ico.org):

- ED-1876/03 – ICO submission to the G8 Summit
- ED-1922/04 – Lessons from the World Coffee Crisis: a serious problem for sustainable development
- ICC-89-5 Rev. 1 – Impact of the coffee crisis on poverty in producing countries
- ICC-90-8: Cartagena Declaration